Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Message Text

SECRET

PAGE 01 QUITO 02054 171854Z

44
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W
---------- 051782
O 171812Z MAR 76
FM AMEMBASSY QUITO
TO SECSTATE WASHDC IMMEDIATE 9413

S E C R E T QUITO 2054

EXDIS

E.O. 11652: XGDS-1
TAGS: ENRG PFOR EC US
SUBJECT: PETROLEUM: TEXACO-GULF PRESENTS LETTERS SUGGESTING NATIONALIZATION

REF: (A) QUITO 1881, (B) BREWSTER/KING TELECON 3/17/76

1. SUMMARY: TEXACO LATIN AMERICA PRODUCTION MANAGER MAX CRAWFORD PRESENTED AMBASSADOR MORNING MARCH 17 WITH COPY OF A 12 PAGE LETTER DATED AND DELIVERED MARCH 16 TO THE MEMBERS OF THE SUPREME COUNCIL OF GOVERNMENT WITH COPIES TO MINISTERS OF NATURAL RESOURCES AND FINANCE. THE LETTER ENDS BY SAYING THAT IF THE UNDERSTANDING OF THE COMPANIES IS CORRECT THAT THE GOE CANNOT MEET TEXACO-GULF'S FINANCIAL NEEDS, THE COMPANIES SEE NO OTHER ALTERNATIVE THAN THAT OF RECOMMENDING THAT THEY COMMENCE DIRECT NEGOTIATIONS IMMEDIATELY "TO RESTRUCTURE THE CONTRACTUAL RELATION, OR PERHAPS FOR THE ACQUISITION OF THE RIGHTS AND SHARES OF TEXACO AND GULF." ALTHOUGH TEXACO AND GULF VICE PRESIDENTS HAD PROMISED TO SHOW US LETTER BEFORE IT WAS DELIVERED, THIS WAS NOT DONE. SUPREME COUNCIL PRESIDENT POVEDA ALSO EXPRESSED HIS DISPLEASURE AT NOT HAVING OPPORTUNITY FOR ADVANCE NOTICE ON LETTER'S DELIVERY. A MEETING BETWEEN CRAWFORD AND PRESIDENT POVEDA HAS NOW BEEN ARRANGED FOR MARCH 17. NEVERTHELESS, THE DELIVERY OF THE LETTER WOULD SEEM TO HAVE PRESENTED THE PROPONENTS OF NATIONALIZATION WITHIN THE GOE WITH AN OPPORTUNITY TO PUSH FOR FULL TAKEOVER.
END SUMMARY.
SECRET

SECRET

PAGE 02 QUITO 02054 171854Z

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

2. AT 7:30 P.M. MARCH 16 SUPREME COUNCIL
PRESIDENT ADMIRAL POVEDA TELEPHONED AMBASSADOR TO SAY
THAT TEXACO AND GULF HAD DELIVERED TO THE COUNCIL A 12 PAGE
LETTER ON THEIR PROBLEMS IN ECUADOR. POVEDA EXPRESSED HIS
REGRET THAT NEITHER I OR THE COMPANIES HAD COME TO HIM IN
ADVANCE OF DELIVERING THE LETTER. THE AMBASSADOR, WHO
HAD NOT KNOWN THAT CRAWFORD WAS IN TOWN OR THAT THE LETTER
HAD BEEN PRESENTED, OFFERED TO CONTACT CRAWFORD TO HAVE
HIM GET IN TOUCH PRIVATELY WITH POVEDA. DCM LOCATED
CRAWFORD AND ASKED HIM TO CALL AMBASSADOR, WHICH HE DID.
CRAWFORD, HOWEVER WAS UNABLE TO COMMUNICATE WITH POVEDA
THAT EVENING.

3. CRAWFORD CALLED ON AMBASSADOR AND DCM MORNING MARCH
17 TO LEAVE A COPY OF THE LETTER. AMBASSADOR EXPRESSED
HIS REGRET THAT CRAWFORD HAD NOT INFORMED HIM OR POVEDA OF
THE DELIVERY OF THE LETTER OR ITS CONTENTS IN ADVANCE.
CRAWFORD SAID THAT THE COMPANIES WERE AFRAID THAT "SOME
DECREE" WOULD COME OUT FURTHER JEOPARDIZING THEIR SITUATION,
BUT HE SAID THAT HE HIMSELF DOUBTED THAT. THE AMBASSADOR
ASKED CRAWFORD IF HE WOULD BE WILLING TO MEET TODAY
WITH POVEDA. CRAWFORD AGREED TO DO SO. THE AMBASSADOR
OFFERED TO SET UP THE APPOINTMENT AND SUBSEQUENTLY DID
SO FOR 9:00 P.M. MARCH 17.

4. THE MARCH 16 LETTER, WHICH IS SIGNED BY SHIELDS OF
TEXACO AND WYCHE OF GULF, SETS FORTH IN SOME DETAIL THE
RATHER ROCKY HISTORY OF RELATIONS BETWEEN TEXACO-GULF
AND THE GOE SINCE PRODUCTION BEGAN IN 1972. IT LISTS
ALL THE MEASURES TAKEN UNILATERALLY BY THE GOE SINCE
THAT DATE WHICH HAVE SUBSTANTIALLY INCREASED TEXACO AND
GULF'S COSTS AND REDUCED PROFITABILITY TO THE POINT
WHERE FURTHER INVESTMENT AND DEVELOPMENT CANNOT BE SUS-
TAINED. THE LETTER CONCLUDES BY STATING THAT THE COMPANIES
UNDERSTAND THE GOVERNMENT TO BE UNWILLING TO REDUCE ITS
TAKE SUFFICIENTLY TO INDUCE THE COMPANIES TO STAY ON
AND THAT, THEREFORE, THE COMPANIES WISH TO ENTER
INTO IMMEDIATE DISCUSSIONS TO "RESTRUCTURE THE CONTRACTUAL
RELATION OR PERHAPS FOR THE ACQUISITION OF THE RIGHTS AND
SHARES OF TEXACO AND GULF."
SECRET

SECRET

5. COMMENT: THE FAT IS IN THE FIRE. THE COMPANIES HAVE
PRESENTED THE PROPONENTS OF NATIONALIZATION WITHIN AND WITHOUT THE
GOE WITH EXACTLY THE AMMUNITION THEY NEED TO AGITATE FOR TAKEOVER
ACTION: THEY WILL NOW BE ABLE TO SAY THAT IT IS THE
COMPANIES THEMSELVES THAT HAVE PROPOSED THE TAKEOVER.
I AM CONFIDENT THAT POVEDA WILL SEEK TO CONTROL THE
SITUATION AND TO MOVE IT TOWARD SOME OPTION OTHER THAN

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

NATIONALIZATION. IT WILL DEPEND, I SUPPOSE, ON WHAT ROOM
HE HAS TO MANEUVER, WHAT FLEXIBILITY CRAWFORD AND OTHERS
IN THE REST OF TEXACO/GULF DEMONSTRATE, AND WHAT SUPPORT
MAY DEVELOP FOR A COURSE OTHER THAN NATIONALIZATION. WE
SHALL HAVE TO WAIT AND SEE.
BREWSTER

SECRET

NNN

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, PETROLEUM INDUSTRY, DIPLOMATIC COMMUNICATIONS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 MAR 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976QUITO02054
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: X1
Errors: N/A
Film Number: D760101-0069
From: QUITO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760351/aaaabszm.tel
Line Count: 121
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: 76 QUITO 1881
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 20 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 JUL 2004 by saccheem>; APPROVED <20 JUL 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PETROLEUM: TEXACO-GULF PRESENTS LETTERS SUGGESTING NATIONALIZATION
TAGS: ENRG, PFOR, EC, US, TEXACO, GULF
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006